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26 June 1986

MEMORANDUM FOR THE RECORD

SUBJECT: 24 June 1986 HPSCI Briefing

CIA Briefers:

ADDI Helgerson

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Congressmen Present:

Hamilton, Dwyer, McHugh

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Subjects Briefed:Nicaragua: Status of the Insurgency
South Africa: Update on
the SituationMexico: Recent Financial
Developments

Angola: Update on the Offensive

Space: Comparison of US and Soviet
Space Programs

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Questions Answered:

Hamilton

According to Helmut Schmidt, Yes. Few if any will
Third World countries will ever pay off debt.
never be able to pay back all
of their debts. Is this true?

Are US banks putting any new Not at the present.
money into Mexico? Are waiting for an
new IMF/bank
agreement.

Are the banks with small For the most part
exposure in Mexico supporting they are hanging to-
those with greater exposure? gether to reach a new
agreement with the
Mexicans.

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According to this CIA paper, I don't have a copy
various countries have of that paper with
imposed sanctions against me, but South Africa
South Africa. Which of these relies heavily on
sanctions are the most foreign capital,
effective? computers and
chemicals.

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The US has banned computers, arms, and new loans. Have you assessed which of these is the most effective?

We will get back to you with a paper addressing this issue.

Computer restrictions have been very effective, as have been the military restrictions. European sanctions may be more effective if they ban agricultural goods. 25X1

McHugh

What if Mexico declared a debt moratorium? What would happen to US banks?

You probably should talk to your banking contacts to get a precise answer. After two quarters of non-payment, US banks would have to declare the loans to be non-performing and set aside reserves to cover the loans.

When the IMF goes in, it offers new loans and the banks are involved. Is that correct?

Yes. The IMF wants certain economic policies followed-- more austerity. Mexico wants more time to pay off loans. The banks are

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Dwyer

Hasn't a good portion of new money loaned to Mexico gone to pay off interest rather than be used for domestic investment? Is there a date when Mexico can no longer pay off its debts?

working with the IMF and realize how bad off Mexico is.

There really is no such date. The debtor countries do not go away, things just get worse. Mexico has undergone real sacrifices, but declining oil prices have led to a decline in its ability to pay off loans and a reduction in investment. Hopefully, we can keep Mexico from going under.

What kinds of materials has South Africa stockpiled?

Crude oil stockpiles of 200 million barrels--a three-year supply at present rates of consumption. We can get more specifics to you.

How effective can sanctions be?

On the oil side, not very effective. In other areas may be more effective.

How about the effects of of disinvestment?

Is more of a psychological problem for South Africa, rather than a real problem. South Africans own 90 percent of capital in the country. Has some impact on international banking community.

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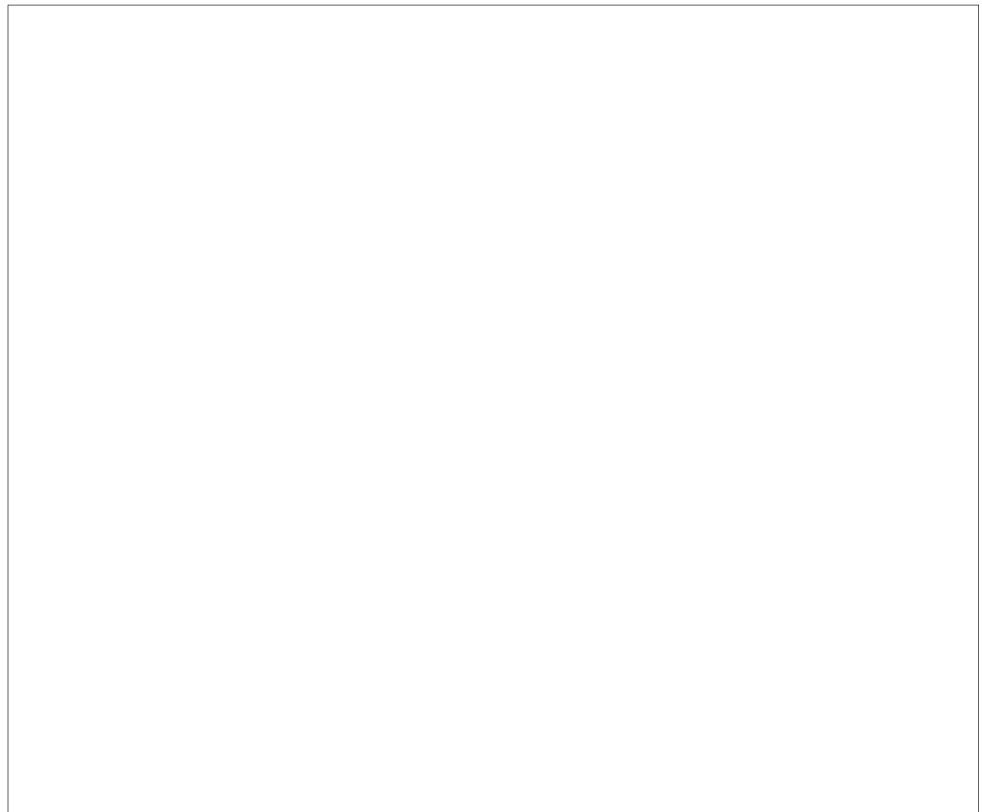
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Hamilton

Any threat to political
stability in Mexico?

Yes. Press goes to
both extremes, but we
believe the long term
trend is bad.
Demographics and
economy are getting
worse. The ruling
party will have to
allow some election
victories by other
parties. The
military is not
presently a threat. 25X1

McHugh



Followup:

ALA will produce a short paper addressing the effectiveness of US sanctions against South Africa. When completed, it will be forwarded to the Committee via OCA. ALA will also provide a list of materials stockpiled by South Africa that OCA will pass to the Committee telephonically.

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